



A Key Pillar of State Government

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*The Financial Reporting Entity: Omnibus – an amendment of GASB
Statements No. 14 and No. 34*

GASB STATEMENT NO. 61



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Objective of new standard

- Provide answers to recurring technical questions
- To help determine if entities were including all organizations that should be included in the financial statements



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GASB 61 – Financial Reporting Entity

- Two Modifications
 1. Criteria for including a component unit
 2. Criteria for blending
- Four Clarifications
 1. When “misleading to exclude”
 2. Treatment of blended CU’s general fund
 3. What is a “major” discretely presented CU
 4. Level of detail for disclosure



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Definitions

- Fiscal Dependency:
 - PG can arbitrarily substitute their judgment for CU (budget, rates, debt)
- Financial Benefit/Burden: (any one of the following)
 - PG is legally entitled to or can otherwise access the organization’s resources.
 - PG is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
 - PG is obligated in some manner for the debt of the CU.



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Criteria for Inclusion

Modification

Three Criteria:

1. Fiscal dependency – PG can arbitrarily substitute their judgment for CU (budget, rates, debt)
 - GASB 61 adds – Must also be an ongoing relationship of financial benefit/burden
2. Board appointment (No Change)
 - Plus financial benefit/burden or
 - Plus ability to impose will



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Criteria for Inclusion

Modification

3. Misleading to exclude (Clarifies)

- Nature and significance of **relationship** with the primary government is such that exclusion would cause the reporting entities financial statements to be misleading.
- Clarification – **relationship** means “financial relationship” not just because the governments do a lot of stuff together.



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Criteria for Blending

Modification

1. Substantively the same board

- Plus financial benefit/burden or
- Plus operational responsibility

Meaning, the same people who manage the departments of the primary government manage the operations of the component unit.

2. Exclusive or almost exclusive benefit (no change)

3. (New) Debt of the CU will be paid entirely or almost entirely from resources of the primary government.



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Treatment of Blended CU

Clarification

- General Rule – Combine funds of blended CU like any other fund of the PG.
- Exception – general fund of a blended CU becomes a special revenue fund of the PG.
 - Blended CU general fund is always a special revenue fund of PG, independent of GASB 54.



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When is a Discrete CU Major?

Clarification

- Why important?
 - Must have separate data for each major discrete CU.
 - Separate column in entity-wide statements or
 - Condensed financial statement in notes or
 - Combining statements in the basic financial statements.
- Major based on:
 - Nature and significance of CU's relationship to the PG or
 - CU's significance relative to total discretely presented CUs



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Disclosure Detail

Clarification

- Must answer two questions:
 1. Why was the CU included?
 2. Why was it blended or discrete?



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Effective Date

- Financial statement periods beginning after June 15, 2012.
- Earlier application encouraged



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Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB STATEMENT NO. 63



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Deferred Outflows

<p>Deferred Outflow</p> <ul style="list-style-type: none"> • Definition – a consumption of net assets by the government that is applicable to a future reporting period. <ul style="list-style-type: none"> – Positive effect on net position, similar to assets. – (Debit) 	<p>Asset</p> <ul style="list-style-type: none"> • Definition – resources with present service capacity that the government presently controls. <ul style="list-style-type: none"> – Prepaid rent – Yes – Advance to grantee (time requirement not met) – No
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Deferred Inflows

<p>Deferred Inflows</p> <ul style="list-style-type: none"> • Definition – an acquisition of net assets by the government that is applicable to a future reporting period. <ul style="list-style-type: none"> – Negative effect on net position, similar to liabilities. – (Credit) 	<p>Liabilities</p> <ul style="list-style-type: none"> • Definition – present obligations to sacrifice resources that the government has little or no discretion to avoid. <ul style="list-style-type: none"> – Payment for services not yet performed? – Yes – Proceeds from sale of future revenues? – No
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Presentation

Deferred Outflows

- Separate section following assets
 - Subtotal may be provided

Deferred Inflows

- Separate section following liabilities
 - Subtotal may be provided



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Net Position

- Net position: residual of all other elements presented in a statement of financial position.
 - Term "Net position" replaces "Net assets"
 - Statement of Net Position: Assets + Deferred Outflows - Liabilities - Deferred inflows = Net position (encouraged)
 - Governmental Fund Balance Sheet: Assets + Deferred Outflows = Liabilities + Deferred Inflows + Fund Balance
- Three components:
 - Net investment in capital assets
 - Net position - restricted
 - Net position - unrestricted



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Disclosures

- Detail different deferred amounts if significant components are obscured by aggregation.
- Significant impact on a component of net position.



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Effective Date

- Financial statement periods beginning on or after December 15, 2011.
- Earlier application encouraged.



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New Accounting Threshold - SB179

LEGISLATIVE UPDATE



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Accounting Report Threshold

- If Revenues or Expenses are:
- Over \$500,000 – Audit
- \$100,000 to \$500,000 – Agreed-Upon Procedures report and on-line submission of financial data
- Below \$100,000 – On-line submission of financial data



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Agreed-Upon Procedures

- Objective
 - Ensure citizens, taxpayers, and decision-makers are made aware of all financial activity of the entity and to assist the entity in exercising control over financial activity.
 - Apprise decision-makers regarding risk areas
 - Reduce costs and increase value



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Agreed-Upon Procedures

- Minimum procedures
 - General
 - Revenues
 - Disbursements
 - Cash
 - Compliance
 - Budget
 - GRAMA
 - Meetings



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Agreed-Upon Procedures

- Supplemental Procedures (optional)
 - General
 - Revenues
 - Disbursements
 - Assets & Liabilities
 - Fixed Assets
 - Compliance



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